

Colombia

The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC-02015-85
18 April 1985

NOTE FOR: Deputy Chief, Liaison Division, OLL

FROM: Charles E. Allen
National Intelligence Officer for Counterterrorism
and Narcotics

SUBJECT: Senator Roth's Request for Unclassified Information on
Money Laundering

Attached for passage to Senator Roth is an unclassified paper on the laundering of funds derived from the illicit sale of narcotics by Colombian traffickers. As you may recall, Senator Roth and his staff requested that the Agency prepare a paper on this, if possible, at the unclassified level. The paper attached was prepared by

STAT of the DDI/OGI. Relatively brief, I believe that it will meet Senator Roth's needs.


Charles E. Allen

Attachment:
As Stated

cc: DDCI
C/NIC
VC/NIC

SUBJECT: Senator Roth's Request for Unclassified Information on Money
Laundering

STAT

DCI/NIC/NIO/CT-NARC/Callen:ma[] 18 April 1985) NIC-02015-85

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The Colombian Drug Money Trail

We estimate that for the last several years Colombian traffickers have transferred annually out of the US some \$3-6 billion in proceeds from illicit drug sales. This amount represents a large share of the earnings transferred by all alien traffickers and of the total amount of drug revenues removed from the US because:

- The revenues accrued by the Colombians far exceed those of any other alien group moving illicit drugs into the United States. This is the case partly because Colombia is the source of 30 percent of the marijuana and 70 percent or more of the cocaine exported to the United States. Moreover, unlike most other trafficking groups, the Colombians themselves handle sales in the United States through the intermediate distribution level. This penetration of the US market permits the Colombians to take advantage of the huge price markups and profits that characterize the domestic wholesale trade.
- Colombians transfer a large share of their earnings abroad because they lack the domestic laundering facilities that are available to more firmly entrenched criminal groups and because they have, thus far, demonstrated a preference for investment in Hispanic areas and in the drug trade itself.

Receipts of Colombian traffickers from illicit drug sales in the United States are transferred out of the country via an underground financial system that utilizes US banks, offshore banks, and the services of quasi-legal money exchangers operating in the United States and abroad. Mostly of Middle East origin, these money changers have been involved in a variety of underground financial activities, including facilitating capital flight from Latin America. They were instrumental in establishing the Colombian underground banking system and probably still constitute the most important financial cadre for the Colombian traffickers.

The methods used by underground money managers to move Colombian drug money depend largely upon whether the aim is to acquire pesos or to maintain dollar assets. Generally speaking, Colombian traffickers

endeavor to hold their proceeds in dollars as long as possible. Since dollar accounts in Colombia are illegal, this usually is accomplished by maintaining offshore bank accounts in dollars. In some cases dollar instruments (currency, cashiers checks, or even personal checks) acquired in the United States are hauled out of the country for deposit. Alternatively, a wire transfer from a well disguised US bank account may be employed.

Non-US creditors demanding payment in dollars may be reimbursed by a check drawn on an offshore account or by direct transfer of dollar instruments acquired in and exported from the United States. Payment in US dollars generally is demanded by Bolivian and Peruvian suppliers of the coca base and paste that is refined in Colombia, and it seems likely that procurement of precursor chemicals for cocaine refining and payment of trafficking costs to the United States also involve dollar transfers. Dollars also are the preferred currency of those accepting graft all along the trafficking trail.

Pesos generally are required to defray personal expenses or operating costs in Colombia, although dollars also are used illegally for this purpose. Pesos are acquired by traffickers in a number of ways:

- Dollar instruments may be smuggled into Colombia and exchanged for pesos on the pervasive currency black market.
- Goods purchased with dollars may be smuggled into Colombia to be resold for pesos.
- Gold purchased abroad with dollars may be smuggled into Colombia and at the present time resold to the Central Bank for pesos at premium rates.
- A lateral transfer may be effected. In this case dollars in the United States or an offshore account are sold for pesos in Colombia to Colombian tourists bound for the United States or to Colombians seeking a means of smuggling capital out of the country.